

Public Agenda Item #2b

Presentation, Discussion and Consideration of Audit
Committee Agenda items:

Internal Audit Reports

February 23, 2016

Tony Chavez, Director, Internal Audit Division

Beth Gilbert, Internal Auditor

Jonathan Puckett, Internal Auditor

Investment Compliance

October 1 – December 31, 2015

Tony Chavez, Director, Internal Audit Division

Beth Gilbert, Internal Auditor

Jonathan Puckett, Internal Auditor

Investment Compliance Procedures



Securities Lending

- Fifteen (15) instances were identified during the quarter of instances where more than 95% of a security was loaned out. One instance went unresolved for seven consecutive business days, and another for five consecutive business days. All other instances were resolved within two business days.
- Seven (7) instances were identified during the quarter where the diversification limit for Eurozone counterparties was above 10%. One instance went unresolved for 7 business days. All other instances were resolved within three business days.

Proxy Voting

- Three (3) votes against Policy. Investment staff agreed with ERS' independent advisory service that a vote for respective proposals would be in the economic best interest of ERS.

Status of Audit Recommendations

Tony Chavez, Director, Internal Audit Division
Beth Gilbert, Internal Auditor

Status of Audit Plan Recommendations



► Biannual

- January 1 to June 30
- July 1 to December 31

► Implementation Status Ratings

- Implemented
- Partially Implemented
- No Action Taken
- Executive Management Acceptance of Risk

► Methodology

- Management Self-Assessment
- Internal Audit review and analysis of supporting documentation
- Audit work not performed to verify the effectiveness of management actions implemented

Status of Audit Recommendations



Audit Engagement	MAP Owner(s)	Implemented
Contract Administration	Legal	1
Web Administration (<i>Second Follow-Up</i>)	Benefits Communications & Information Systems	1
Retirement Rules Management & System Implementation (<i>Second Follow-Up</i>)	Information Systems & Customer Benefits	1

100%

Questions?